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little difference between the budget figures and the actuals and there should be very little room for revised budget. We have taken steps to see that as early as possible this kind of huge disparities between the various figures is brought to an end. The Accountant General has also made this clear.

Regarding the accounting systems in the industrial concerns, I have already explained as to the method we have been following in order to find out the actual working conditions of these various Governmental concerns. As I have already stated there is a separate body constituted for it. It is the duty of the Board to review the accounts once in a month and take steps to see that as far as possible these concerns are run on a profitable basis. I have myself examined the working of these Boards as Chairman of the Board, Bhadravati as well as other industrial concerns. I know that the procedure now followed is quite satisfactory in order to see that the working conditions are kept as efficiently as possible. I therefore feel whatever may be the reasons for the observations of the Committee in the year under review, that steps taken by the concerns themselves are sufficient to know what exactly is their position. Sir, I assure the Hon'ble House that Government also attach equal importance to the observations of the Hon'ble Members of this Committee. I assure them that steps will be taken to see that instructions or guidance given in the report are faithfully carried out by the Government. Perhaps it may be advantageous that Government may be called upon to place a report every time the Session meets as to the action taken on the observations of the Public Accounts Committee. I will examine and see how far it is possible to do so. I once again assure the House that the recommendations of the Committee will be implemented as early as possible.

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## FINANCE ENQUIRY COMMITTEE REPORT.

*Motion to consider.*

Mr. DEPUTY SPEAKER.—the next item on the agenda is discussion on the Finance Enquiry Committee. Report Shall we take it up tomorrow?

Sri H. SIDDAVEERAPPA (Minister for Home and Finance).—Sir, there is still time. We can take it up today, because we have a Bill tomorrow.

Sri J. MOHAMED IMAM (Jagalur).—I propose, if all the members agree, that we can take up the discussions on the Enquiry Committee Report tomorrow. I am afraid that we will not have sufficient time to go through, nor time for all members to go through the observations.

Mr. DEPUTY SPEAKER.—At least it can be introduced now. The Hon'ble Minister will introduce the Enquiry Committee Report. Then, if there is time, we can take up the discussion. Today there is an half-an-hour discussion.

Sri H. SIDDAVEERAPPA.—While introducing I would like to make a number of statements. Probably that will facilitate discussions tomorrow. I will introduce the Report today and it may be taken up for discussion tomorrow.

Mr. DEPUTY SPEAKER.—Have you got a Bill tomorrow?

Sri H. SIDDAVEERAPPA.—I am told by the Secretary that the Mysore Town Municipalities Bill is over. Today there is still time. I will introduce the Report and make the introductory speech.

Sri V. M. MASCARENHAS (St. John's Hill).—Are two hours enough, Sir?

Sri J. MOHAMED IMAM.—I want to make a suggestion tomorrow when the Leader of the House is here. Two hours are hardly sufficient. I want to suggest that those who want to take part in the discussions now, let them do so. But I want the same to be deferred for the composite Legislative Assembly which may be

summoned in a month. That will be an apt occasion when we can survey the entire finances.

**Sri H. SIDDAVEERAPPA.**—This Report refers to the present State of Mysore. We have not got any other data regarding other areas. When the new Legislature meets, the composite picture may be examined and there is no harm. But as things stand we may examine the present Report.

**Mr. DEPUTY SPEAKER.**—Let the Hon'ble Minister move the motion now.

**Sri H. SIDDAVEERAPPA.**—Sir, I move :

“That the Mysore Finance Enquiry Committee Report, 1956, be taken into consideration.”

In making this motion, I wish to offer a few introductory remarks for the consideration of the House.

The Mysore Finance Enquiry Committee, as the Hon'ble Members are aware, was constituted since the Houses of the Legislature urged the need for the entire financial position of the State being examined by an independent body. This Committee consisted of *Pradhana Sirona i* Sri N. Madhava Rau, as Chairman and Sri K. Pattabhiraman and Sri N. Huchmathi Gowda, Members of the Legislative Assembly, Sri B. V. Narayana Reddy and the Secretary to Government, Finance Department, as members.

I invite reference to page (ii) and subsequent pages of the introductory portion of the Report wherein the terms of reference and allied matters like procedure adopted, scheme of the Report, etc., have been fully explained.

The Committee submitted its Report on 16th April 1956 and immediately thereafter a copy of the Report was sent to each of the members. I feel it is my duty to explain the salient features of this Report and comments of Government thereon regarding implementation of their recommendations so that they may serve as the basis for consideration by the Members.

Chapters one to three give a review of the State Finances for the three different periods *viz.*, 1946-47, 1947-48

to 1949-50, 1950-51 to 1955-56. These chapters also explain the increases in revenue and expenditure of the State including the several taxation measures undertaken, ways and means adopted to undertake capital schemes during this period and the Public Debt position of the State, as also the position of assets and liabilities as on 31st March 1950 and 31st March 1955.

In chapter 4 (page 33) the Committee has observed that the State Government had to meet a series of revenue deficits and draw upon reserves. The reasons for these deficits have also been explained in some measure by the Committee. So far as the reduction in the investments and cash between the periods 1946-47 and 1950-51 is concerned the position has been satisfactorily explained to the Legislature more than once and I invite particular reference to the white paper which was presented by the then Finance Minister in the year 1952-53.

The above is so far as past history is concerned.

Chapter 4 which refers to present position of commitments deserves serious notice. In para 2 of this chapter, the Committee has observed that the revenue deficit of Rs. 409.87 lakhs as shown in the Budget Estimates of 1955-56 (which was subsequently revised to 268.81 lakhs) was not only unprecedented in the history of Mysore but exceed the deficits budgeted for most of the other States. I am glad to inform the House that as per the accounts of 1955-56, the revenue deficit for 1955-56 is only of the order of Rs. 0.31 lakhs which is a result of variations both under receipts and expenditure. In pages 35 to 38, our position for the next five years has been considered. While we placed the draft Second Five-Year Plan for discussion, the Finance Department also submitted a forecast which showed that excluding expenditure on the Second Plan, the normal deficit both on Revenue and Capital Account was of the order of Rs. 13 crores for five years. The Committee has envisaged that if the plan as now finalised is fully implemented, the revenue deficit would

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be of the order of Rs. 10 crores per annum. Major portion of this deficit, as the members are aware, is on account of debt service charges by way of interest on loans and also Plan expenditure within the revenue account. When Plan figure of Rs. 90.49 crores including Iron Works and Urban Water Supply was fixed for the Mysore State, the Planning Commission knew the financial resources as revealed in the forecast scrutinised by them and there can be no two opinions that the major portion of Plan expenditure had to be financed by Central assistance. The Committee also has made a relevant observation on page 38 as under:

“4-12. It will be appreciated that this picture of the probable financial position as on 1st April 1961 is somewhat hypothetical and is only intended to show the full impact of the Second Five-Year Plan and other commitments on the present situation. There is however, reason to anticipate a sizeable improvement of revenue as well as a reduction of expenditure, as will be seen from the chapters that follow.”

In Chapter 5 the Committee has discussed about the Taxation Structure in Mysore with reference to the recommendations of the Taxation Enquiry Commission. The Committee while generally agreeing with the Commission has suggested certain modifications to suit local conditions. They have also estimated that as a result of the recommendations, there will be increase in Revenue to the extent of about Rs. 66 lakhs (page 65 of the Report). Though some action has been taken by this Government in matters like re-survey and re-settlement, levy of water rates and acreage contribution, the major portion of recommendations cannot be considered for the reason that when the new State comes into being after about a month, we have to tackle the problem of taxation prevailing in five different areas. You would appreciate that a uniform system of taxation for the new State becomes inevitable and this is a problem

to be tackled by an expert body which has to keep in view the recommendations of the Taxation Enquiry Commission and the modifications suggested by the Mysore Finance Enquiry Committee.

The Committee has also referred to heavy arrears under Land Revenue and Sales Tax. I may say that so far as this matter is concerned, the State Government have been taking necessary measures.

The Committee has devoted a full chapter (I invite reference to page 73 to 76) to Electricity undertakings. The Committee has warned that power supply below a fair economic rate should be discouraged. As you are aware, Government have no doubt been following a liberal policy in the matter of power supply to rural parts. The question of securing a fair return on investment on Electricity undertakings will assume greater importance with the formation of the New State as the new Government will have to deal with several undeveloped areas. It may in some cases become necessary to subsidise the rates. The entire rate structure for power supply will, therefore, have to be considered with reference to conditions, financial resources etc., in the New State as a whole. I am sure that the new Legislature will keep in view the recommendations of the Committee.

In Chapter 7, the Committee has considered various revenues from the several Industrial Concerns. I invite particular reference to paras 13 to 15 of pages 79 and 80 wherein the Committee has referred to the financial safeguards and other matters that have to be considered when a Corporation is formed. While the State Government cannot remain aloof in the matter of general policy adopted by Government of India in this matter, I may assure that we will take all possible steps to see that the interests of the State are safeguarded to the extent practicable. I particularly invite your kind reference to para 31 wherein it has been made clear that the success of Government enterprises will depend not merely on market demands for our products and

price of raw materials but also on the level of wages as a result of progressive labour legislation.

We now come to the important Chapter, *viz.*, Chapter 8 on Public Expenditure. One of the important recommendations the Committee has made is that there is scope for economy both in the administrative and development departments. However the Committee itself has given a firm opinion that scope for reduction in non-development departments is relatively smaller. The Committee while agreeing with the Pay Structure Committee had come to the conclusion that there are several superfluous posts in Agricultural, Industries, Police and some other departments. There have been several differences of opinion regarding abolition of several posts referred to in the report. The question of reduction of strength depends also on the rationalisation of work in offices, increase in hours of work, etc. This brings us to the question of fixation of standard scales of pay and allowances. It may not be possible for us to consider one part of the recommendations of the Pay Structure Committee leaving the other part. The problem of evolving suitable scales of pay, hours of work, rationalisation of works loads, etc., cannot be tackled just on the eve of the formation of the new State wherein the entire picture is likely to change. The very useful suggestion given by this Committee will give the required guidance in tackling this urgent problem. In this Chapter, the Committee has brought to the notice several irregularities in public expenditure, such as execution of works without estimates, imperfect preparation of estimates involving revision and re-revision, rush of expenditure, etc., In particular some comments have also been made against Vidhana Soudha on pages 97 and 98. As could be seen from the successive reports of the Public Accounts Committee there has been serious observations on expenditure incurred in the Public Works Department but I may say that Government have been repeatedly taking action to see that these irregularities are avoided to

the extent possible. I may assure that Public Works Department is taking note of the seriousness of these observations and have been minimising these irregularities from year to year. So far as Vidhana Soudha is concerned, I request that the members should not make any comments which might prejudice the enquiry that is being held by an expert committee presided by a retired Judge of Nagpur High Court.

In pages 104 to 107 the Committee has made a very useful suggestion regarding the need for a suitable organisation at village level to implement the Plan. I am sure you all agree that, as strongly recommended by the Committee, the success of the Plans will depend upon the Village Panchayats and Co-operative Societies. The formation of Panchayat and Co-operative Unions at the level of taluks deserves serious consideration. I can assure you that these useful suggestions will be considered at the appropriate time.

The Committee has devoted much attention and thought to the most important problem, *viz.*, Public Debt of the State. I invite reference to Chapter 9, pages 115 to 116 in this connection. As we have to depend mainly upon loan assistance for the implementation of major portion of the Second Five Year Plan and the increase in Debt Service charges will outweigh our financial resources, the terms and conditions of the loans should be such that this State will be in a position to adhere to them strictly.

The recommendations made in para 9 on page 116 are matters to be considered by the Finance Commission. I am sure the Commission will give their earnest and sympathetic consideration to these proposals.

Regarding loss of premium collections on account of nationalisation of Insurance, this matter has already been brought to the notice of the Government of India and this has also to be urged before the Finance Commission.

We now come to another important Chapter—Chapter 10, wherein the



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Committee has referred to the restoration of the Revenue gap to the existing State without any cut, the form of Central assistance, the responsibility of Centre regarding the University Education, Technical Education, etc. The Finance Commission has already been supplied with the copies of the Report. The State Government will also take into account the recommendations of the Committee while placing their case before the Commission.

I have now only one more duty to discharge and that is to thank the Chairman and members of the Committee for the efficient manner in which they have dealt with the intricate problems relating to the finances of the State and for the most useful suggestions they have made in the matter of improving revenue resources, regulating the expenditure and implementation of the Second Five Year Plan. I now request the members to offer their comments and suggestion so that it may be useful in considering the recommendations of the Committee and placing the case of the State Government before the Finance Commission.

4-30 P.M.

Mr. DEPUTY SPEAKER.—Motion moved:

“That the Mysore Finance Enquiry Committee Report, 1956, be taken into consideration.”

Sri L. SIDDAPPA (Channagiri).—A copy of the remarks made by the Finance Minister may be circulated.

Sri P.R. RAMAIA (Basavangudi).—Sir, after listening to the speech of the Hon'ble Minister for Finance, I would like to know the purpose that is going to be served by discussion on the recommendations of the Committee. I want to know what the reaction of this Government would be for any suggestions that may come out during the discussion. Are they in a position to implement them? Or, are they going to send all these suggestions to the future Government that is going to come? Is this merely thanking the members of the Committee for the good

work that they have done? I would like to know exactly how the Government would react to the discussion of this House on the recommendations of the Committee.

Sri H. SIDDAVEERAPPA.—Sir, I have already made it clear in the last sentence of my speech. I said: ‘I now request members to offer their comments and suggestions so that they may be useful in considering the recommendations of the Committee and placing the case of the State Government before the Finance Commission. Whatever the observations or suggestions made by the Hon'ble House, I am sure, the successor Government will take into account while placing our view point before the Finance Commission.’

Sri J. MOHAMED IMAM.—We may decide our further programme tomorrow. This is such an important subject which I cannot treat in a light hearted manner. We can take up this Report tomorrow if there is time or we shall decide what to do with this. Tomorrow we will have at our disposal only 1½ hours which is not at all sufficient. We must bestow some thought on this. We can consider tomorrow whether to discuss this tomorrow itself or postpone it to the next session of the Legislature.

Mr. DEPUTY SPEAKER.—I doubt very much whether we can take this up at the next session.

Sri J. MOHAMED IMAM.—My point is this. The new Legislature may meet somewhere in the month of November. It may then survey the entire financial position of the bigger State. A good picture of our present State is before us. But, we do not know the financial position of the incoming parts. I do not know whether the Government have received any statistics about the financial position of the incoming parts. I do not know the recommendations of the Special Officer who was posted for this purpose. If Government have any information about this, we can club both these reports.

Mr. DEPUTY SPEAKER.—I do not know whether the report prepared by the Special Officer is meant to be discussed on the floor of this House.

**Sri J. MOHAMED IMAM.**—After the new States comes into existence we can review the financial position of all the parts. The new members also will have the opportunity to study the financial position of the present Mysore State and we will also have the opportunity of studying the financial position of those parts. I am also anxious that all the members of the new Legislature should meet as early as possible so that we may exchange our views, and can understand each other better. I want to put forth all these ideas tomorrow.

**Sri H. SIDDAVEERAPPA.**—So far as that point is concerned, we are guided by the decision of this House. It is at the instance, if I remember correctly, of the Leader of the Opposition that this Report is before the House now.

**Sri J. MOHAMED IMAM.**—Where is the time? If it is left to me I require at least two hours or even more.

**Sri H. SIDDAVEERAPPA.**—The Government had to place this Report as per the desire of the Hon'ble Members of the House. If it decides that the discussion may be profitably taken up when the new Legislature meets, Government have no objection to it. You may decide it in any manner.

**Mr. DEPUTY SPEAKER.**—Any motion that is introduced in the present Legislature will lapse at the end of this month. If this is to be discussed in the new Legislature, this Report will have to be re-introduced. Moreover the Report relates to the financial position of the existing State. To throw it open for discussion after disintegration, I do not think will be correct. Sri J. Mohamed Imam wants to know whether you will be able to circulate the copies of your speech.

**Sri H. SIDDAVEERAPPA.**—I have got only one copy. I will give it to him if he wants.

**Mr. DEPUTY SPEAKER.**—By today evening, will it be possible for you to distribute the copies of your speech?

**Sri H. SIDDAVEERAPPA.**—I have no right to circulate the copies, because it becomes a part of the proceedings

of this House. If you direct me I shall have to get it printed or typed and circulated.

**Mr. DEPUTY SPEAKER.**—As you were making the speech it has been recorded and therefore it is in the proceedings of this House.

**Sri H. SIDDAVEERAPPA.**—If I have to make copies I will have to do it under your direction.

**Sri S. SRINIVASA IYENGAR (T.-Narasipur).**—When a Minister makes a statement or reads out a statement it must be circulated.

**Sri H. SIDDAVEERAPPA.**—Yes, I will see that it is circulated.

**Mr. DEPUTY SPEAKER.**—Discussion on the Finance Enquiry Committee Report will be taken up tomorrow. We will now take up Sri Palaniyappan's question for half-hour discussion.

#### DISCUSSION ON QUESTION NO. 677 re. APPOINTMENT OF PROBATIONERS.

**\*Sri M. PALANIYAPPAN (Ulsoor).**—Sir, the object of my raising this half hour discussion is, Government has not taken very keen interest to safeguard the interest of Mysoreans. The first thing is the Government have failed to impress upon the Central Government the necessity of recruiting the probationers. In the greater Mysore that is to come, people from outside are going to join us and the vacancies that exist now will have to be filled in afterwards and the present candidates will be seriously affected. Therefore to fill up these vacancies, Government had advertised and called for the applications in all the departments and that has been questioned in question No. 677. But, when the direction came from the Central Government that they should not recruit these Probationers, the Government have failed to impress upon the Central Government the need and necessity for filling these posts. On the other hand the Government probably had interest in some two or three departments and have left the other Departments. The